



JUN 23 2005

Mr. Will Kempton, Director
Department of Transportation
1120 N Street
Sacramento, CA 95814

Dear Mr. Kempton:

**The Project Resource and Scheduling Management Project—Market Analysis Report,
Project Number 2660-160**

The Department of Finance (Finance) has completed its review of the Department of Transportation's (Caltrans) Project Resource and Scheduling Management (PRSM) project Market Analysis Report. The Market Analysis is the second phase of the Caltrans PRSM Work Plan approved by Finance on March 17, 2004. Based on our review, Caltrans is approved to proceed with the Request for Proposal (RFP) phase of the Work Plan.

In the Market Analysis Report Caltrans outlines the process it used to evaluate vendor proposals for the PRSM system. The Market Analysis was successful in identifying six qualified vendors.

Finance understands that Caltrans, with assistance from the Department of General Services (DGS), will perform the following steps during the RFP:

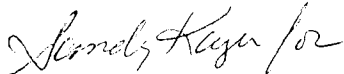
- Develop a two-stage, two-envelope RFP identifying the minimum essential requirements as well as additional desired functionality for a PRSM solution.
- Structure the RFP to require vendors to specify separate cost data for the minimum essential requirements and an individual cost for each additional requirement the vendor proposes to meet. The RFP must allow Caltrans to pick and choose which if any of the additional requirements they will procure.
- Score the vendors technical proposal and cost proposal with the cost proposal being at least 50% of the final vendor score.
- Document the results of the RFP in a Special Project Report.

It is Finance's expectation that Caltrans will provide a detailed cost analysis of all responding vendors' proposals. This analysis will include the cost for meeting the minimum essential requirements and separate cost analysis for each additional requirement for each vendor beyond the minimum. Additionally, Finance expects that selection of a bid other than the lowest cost for the minimum essential requirements will require a detailed cost benefit analysis for each additional requirement that Caltrans proposes to procure.

Upon completion of this phase of the Work Plan, Caltrans will submit a Special Project Report to Finance along with a copy of the RFP and the cost analysis for review. Caltrans shall not proceed with award of the contract for PRSM, without written approval from Finance.

If you have any questions, please contact Greg Loe at 445-1777, extension 3255 or by e-mail at Greg.Loe@dof.ca.gov. Please refer to Project Number 2660-160 in any future correspondence regarding the project.

Sincerely,



Debbie D. Leibrock, Chief
Office of Technology Review,
Oversight, and Security



Mark Hill,
Program Budget Manager
Business, Transportation, and Housing

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Project No. 2660-160
Log No. 2005-384

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and Housing Agency
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